ACA Round Table

South Carolina
Department of Health and Human Services
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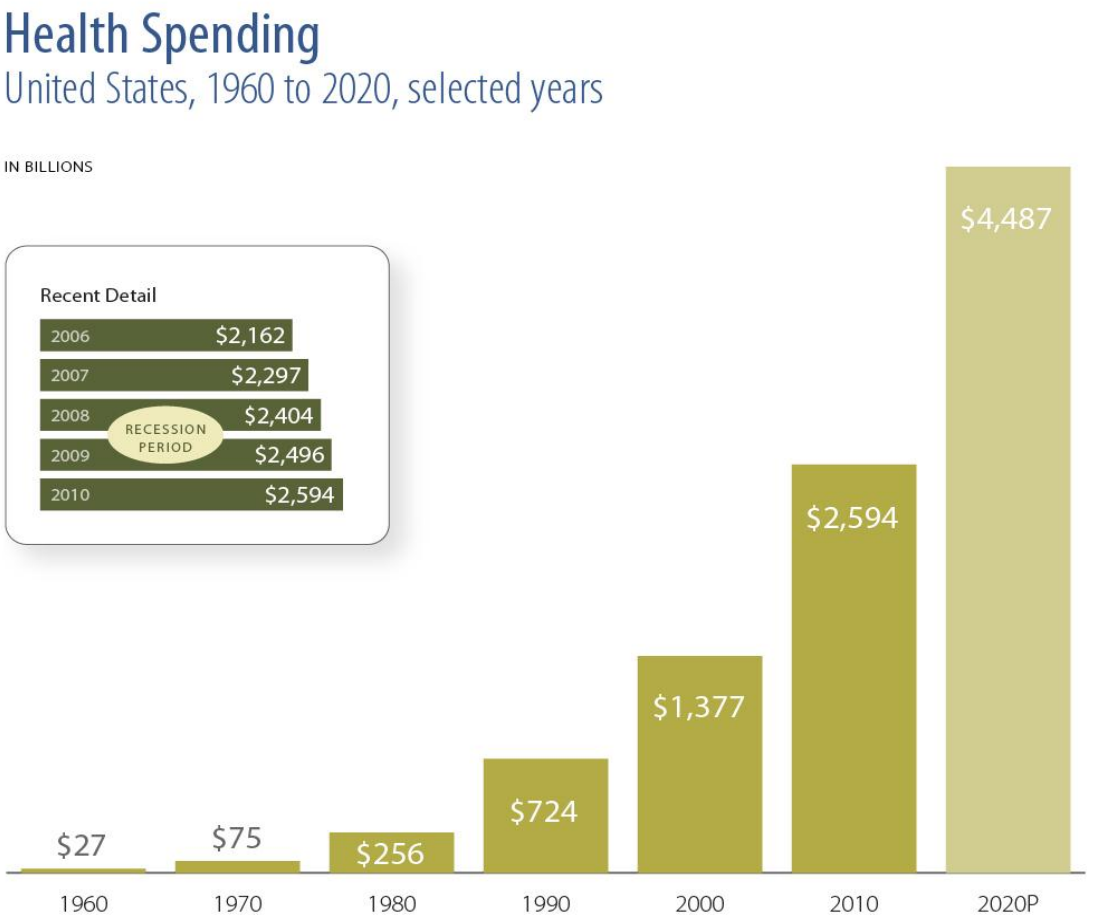
March 28, 2013

Many estimates are preliminary projections as of December 2012 and not considered final. These estimates may change as more state and federal data and guidance becomes available.

Constant Health Spending Growth

South Carolina Health & Human Services



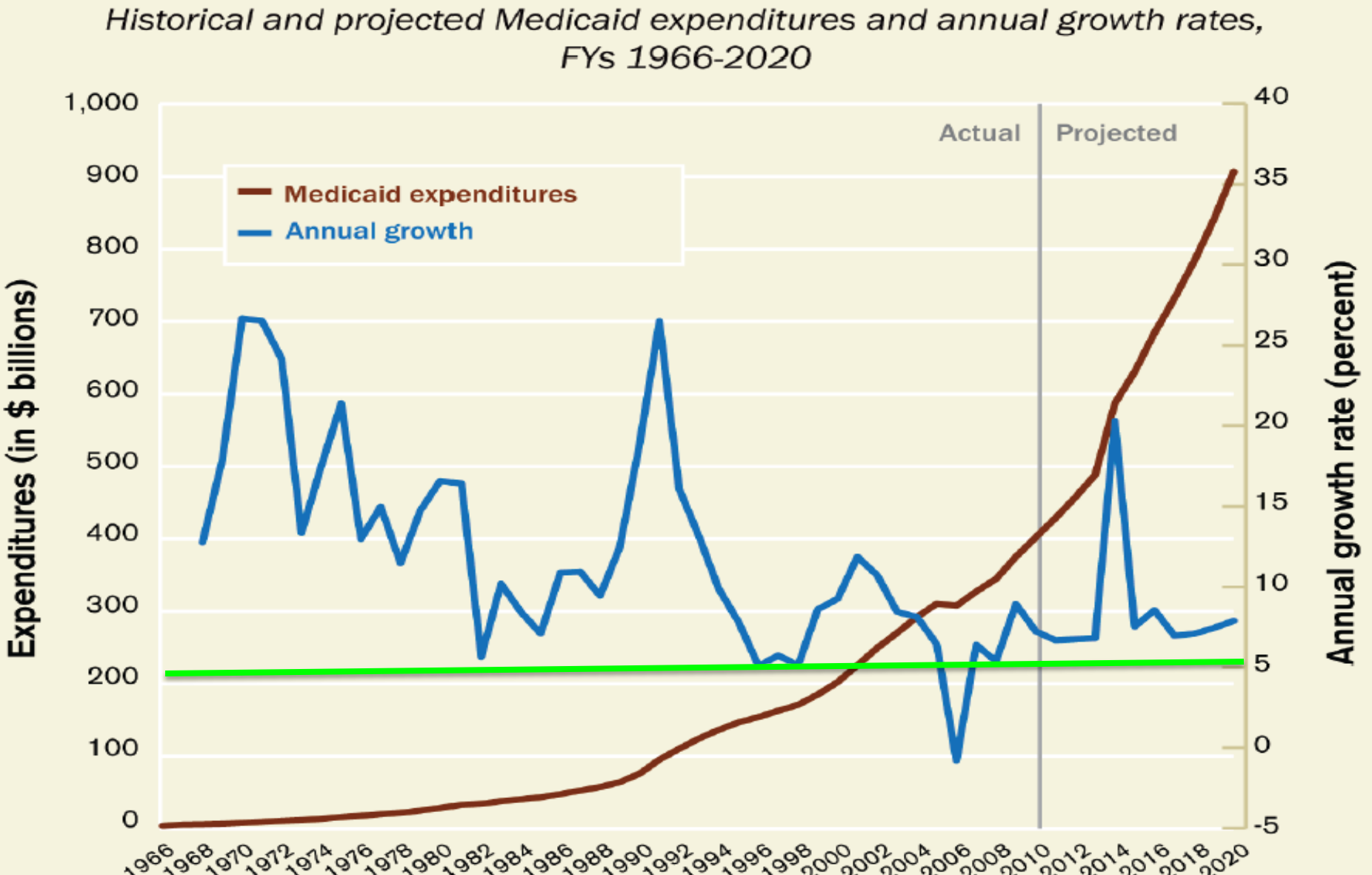
Total health care spending in the United States has nearly doubled or more every decade since 1960.

In 2009, 2010 and 2011 health care spending grew 3.9% each year (record lows)

In each of those years real GDP grew (3.1%), 2.4% and 1.8%

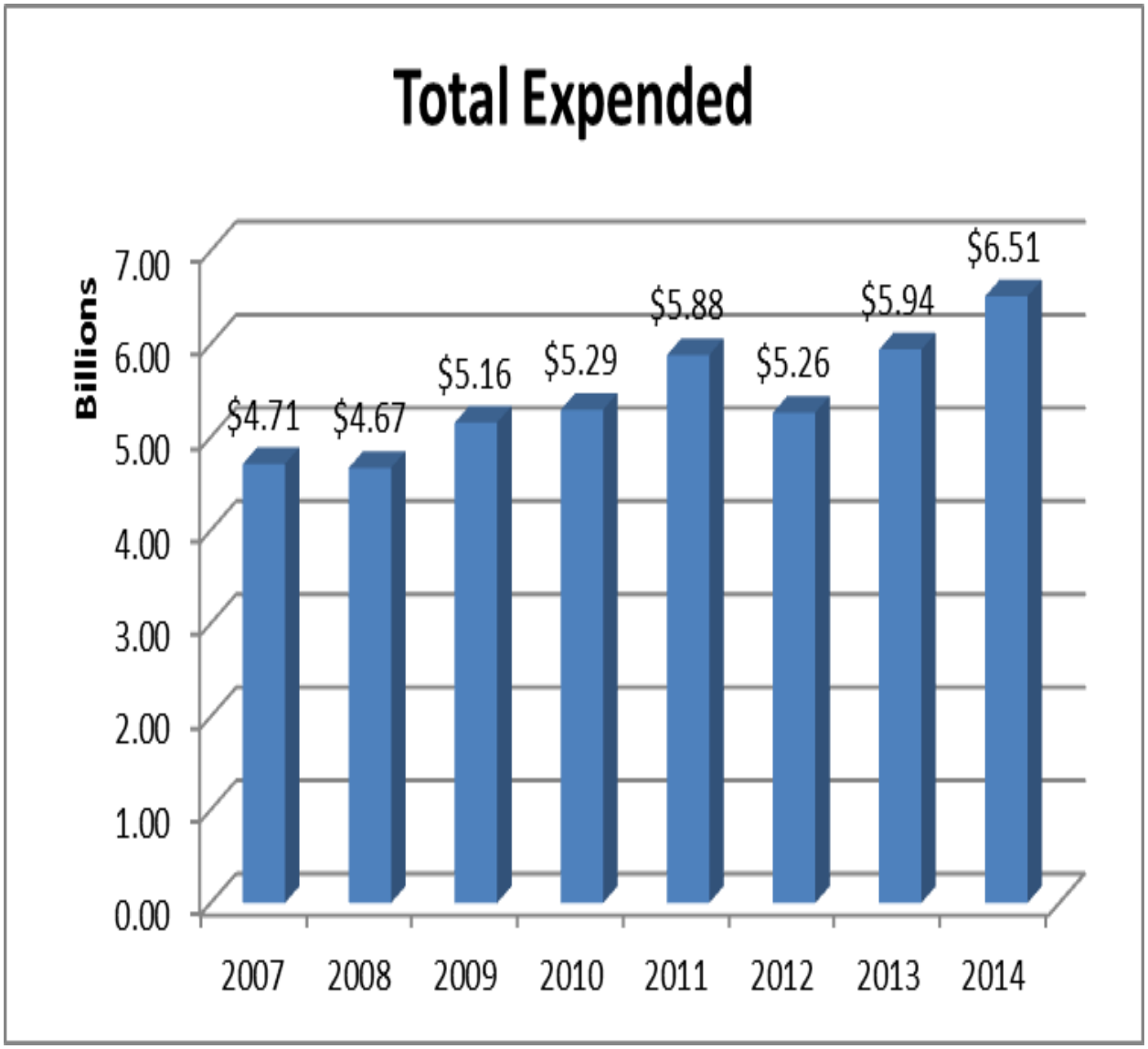
Dramatic Growth in Medicaid Spending

South Carolina Health & Human Services



SC Medicaid Total Expenditures

South Carolina Health & Human Services



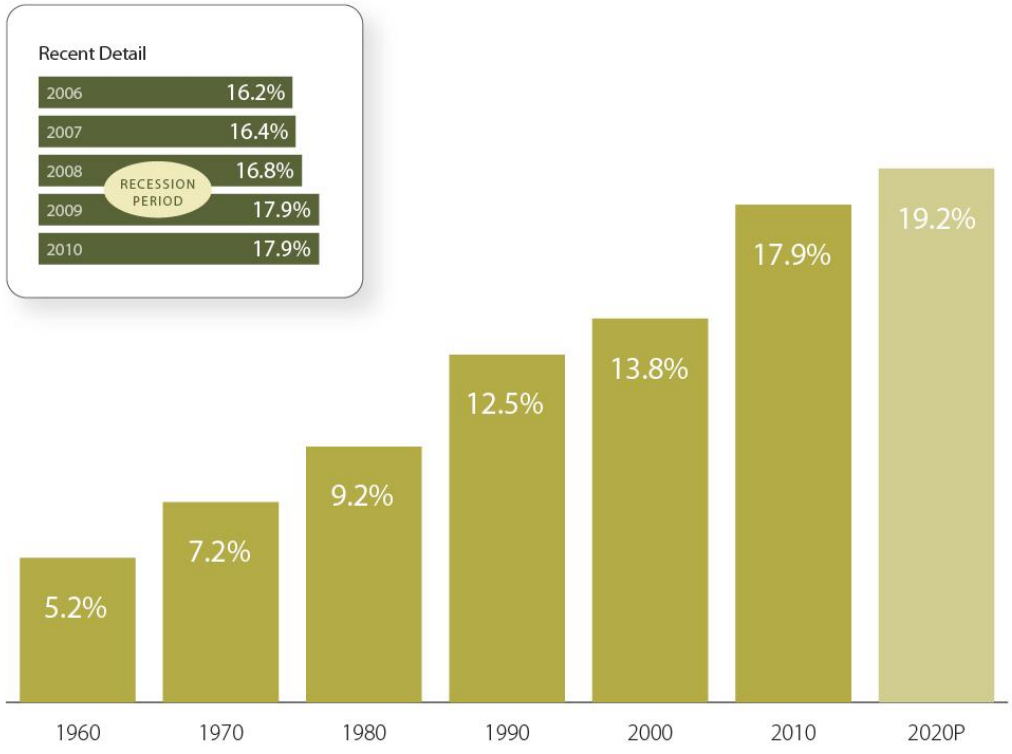
South Carolina Medicaid expenditures have grown 38.21% from FY2007 to FY2014. This is a 4.8% annual growth.

SFY 2014 spending would be $1.2 billion (64%) higher without agency actions to control costs and improve outcomes since 2011. This would have been a 7.3% annual growth.

2007-2012 are actual expenditures, 2013 and 2014 are projected expenditures.

US Health Spending as a Share of GDP Continues to Grow under ACA

South Carolina Health & Human Services



Notes: Health spending refers to National Health Expenditures. Projections (P) include the impact of the Affordable Care Act. 2010 figure reflects a 4.2% increase in GDP and a 3.9% increase in national health spending. CMS projects national health spending will also have accounted for 17.9% of GDP in 2011 and 2012.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditure Data, 2012 release.

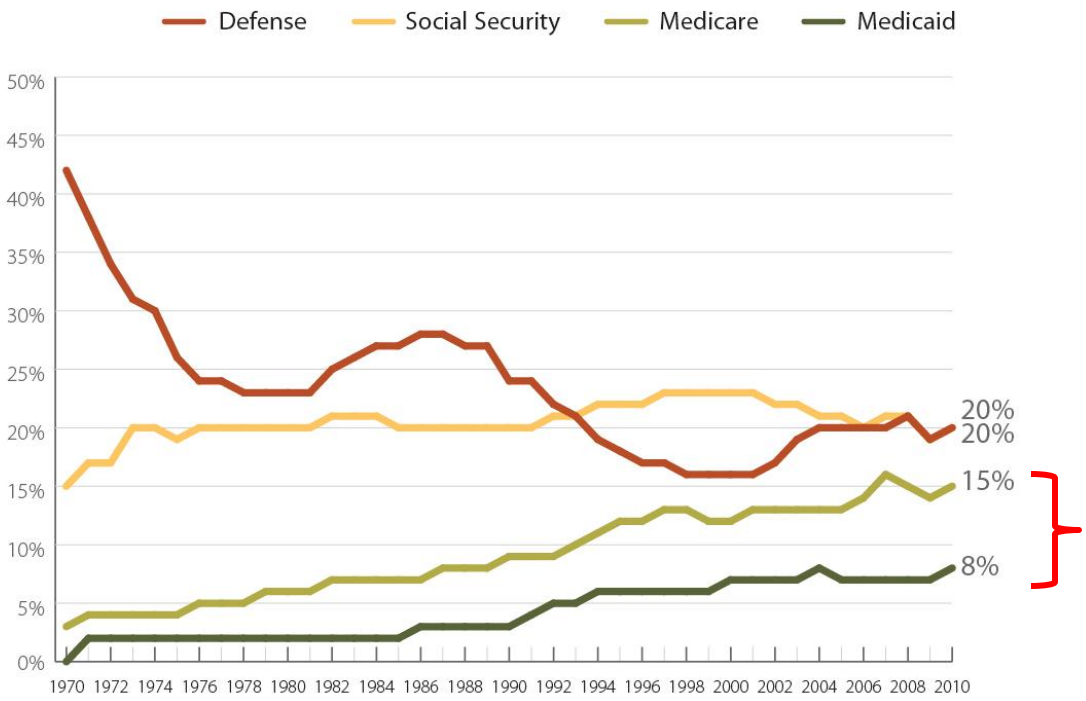
A larger portion of paychecks, payrolls and government budgets are going to health care every year

ACA continues growth through EHB mandates in the private market, subsidies and expansion with little cost control

Institute of Medicine estimates 1/3 of all health care spending is excess cost

Major Programs as a Share of the Federal Budget

South Carolina Health & Human Services



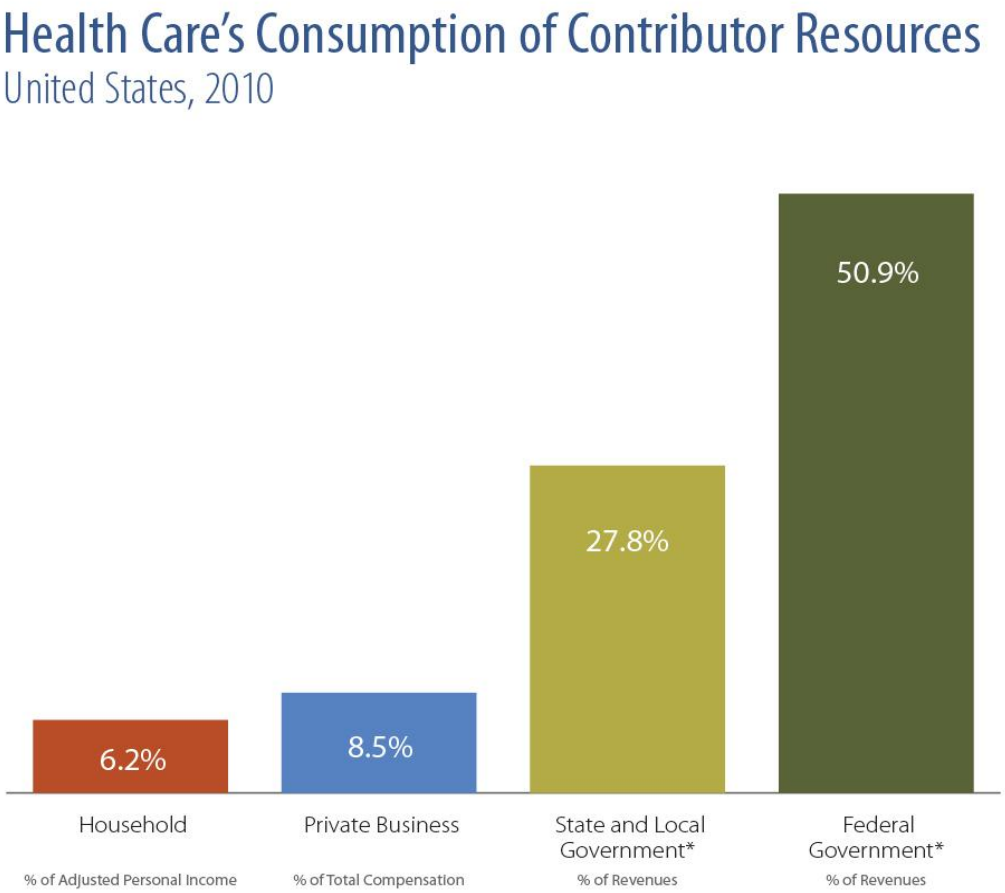
Notes: Spending shares computed as percentage of federal outlays. All outlays reflect federal spending only (i.e., Medicaid outlays shown reflect federal portion of Medicaid).

Sources: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditure Data, 2012 release. Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2012 to 2020*, January 31, 2012, Appendix F, "Historical Budget Data," www.cbo.gov.

Health care spending on Medicaid and Medicare now consumes 23% of the federal budget

Major Programs as a Share of the Federal Revenue

South Carolina Health & Human Services



*Government revenues are receipts minus contributions for government social insurance; due to borrowing, federal government revenues are less than outlays.
Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditure Data, 2012 release.

50.9% of federal revenues for Medicaid and Medicare compared to 23% of the federal budget

The fine print: "due to borrowing federal government revenues are less than outlays"

Medicaid Expansion is borrowed money

$765 billion excess cost in 2009

South Carolina Health & Human Services

- $100 billion more than the entire US defense budget
- Sufficient to fully pay health insurance premiums for 150,000,000 people
- 1.5 times the total 2004 national infrastructure investment including roads, railroads, aviation, drinking water, telecommunications and other structures.

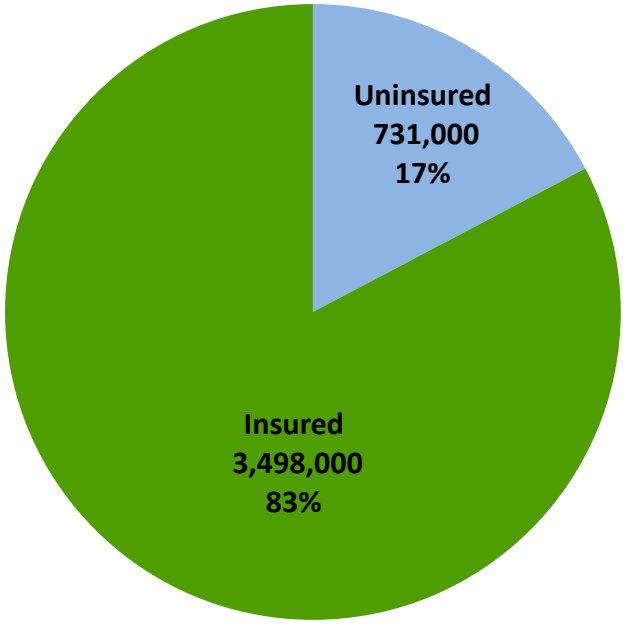
The Institute of Medicine's Six Domains of Excess Cost:

- ***Unnecessary services ($210 billion)***
- ***Administrative waste and duplication ($190 billion)***
- ***Inefficient services ($130 billion)***
- ***Prices that are too high ($105 billion)***
- ***Fraud ($75 billion)***
- ***Missed prevention opportunities ($55 billion)***

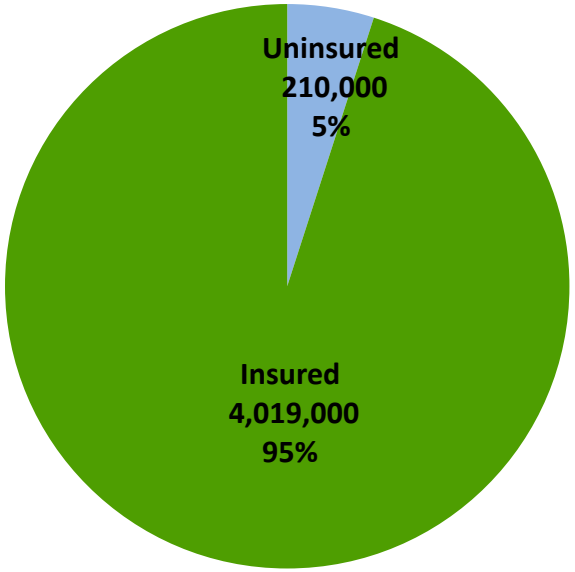
ACA impact on South Carolina access to affordable health insurance coverage

South Carolina Health & Human Services

Pre-ACA: 2013 Uninsured



Post-ACA: 2015 Without Access to affordable health insurance



By 2015

Over half a million people will gain access to affordable health insurance coverage as defined under the new health care law

The system will have a difficult time absorbing this growth – it may require between 250-300 full-time physician equivalents

Shifting Hospital Payor Mix under ACA

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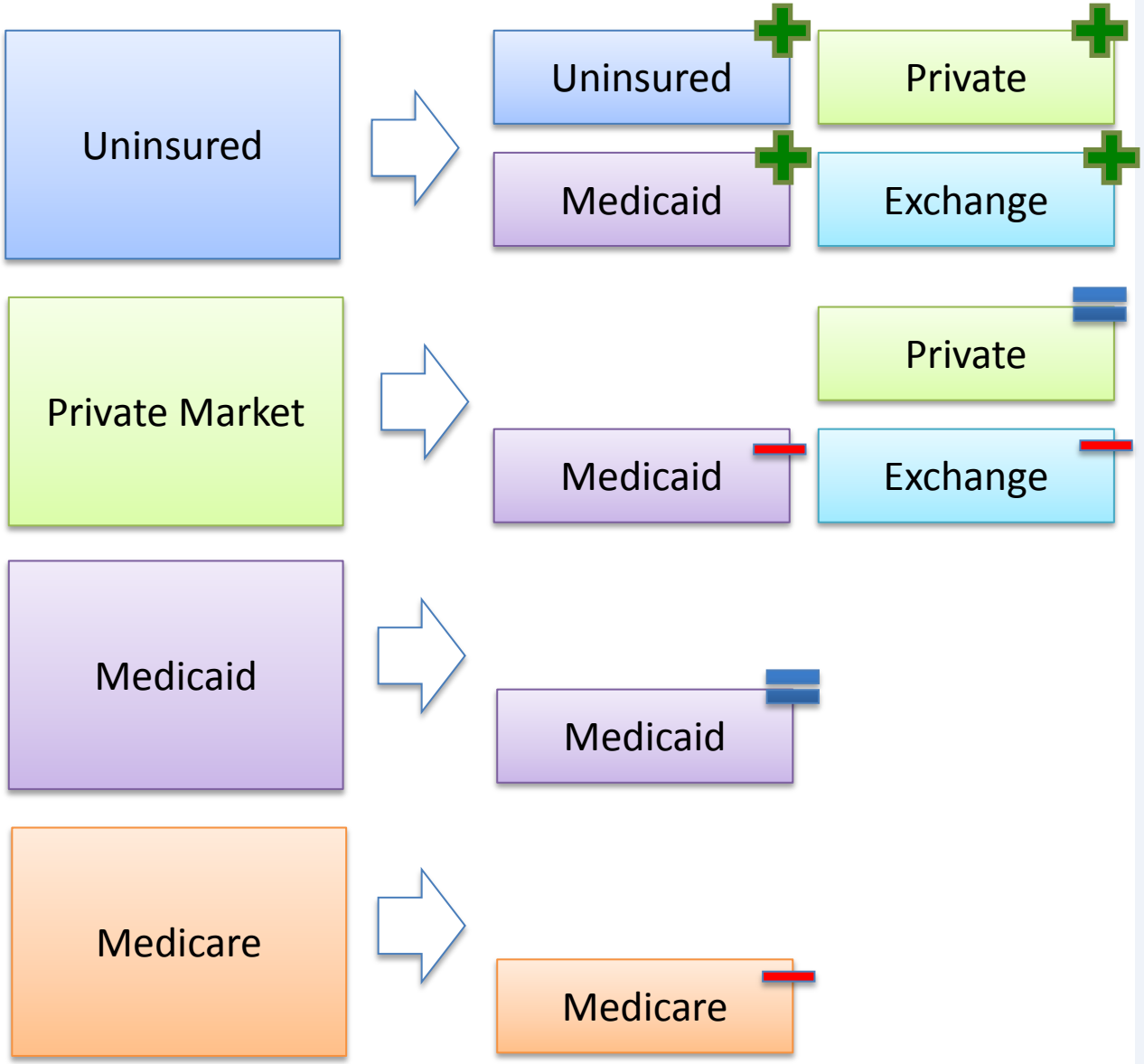


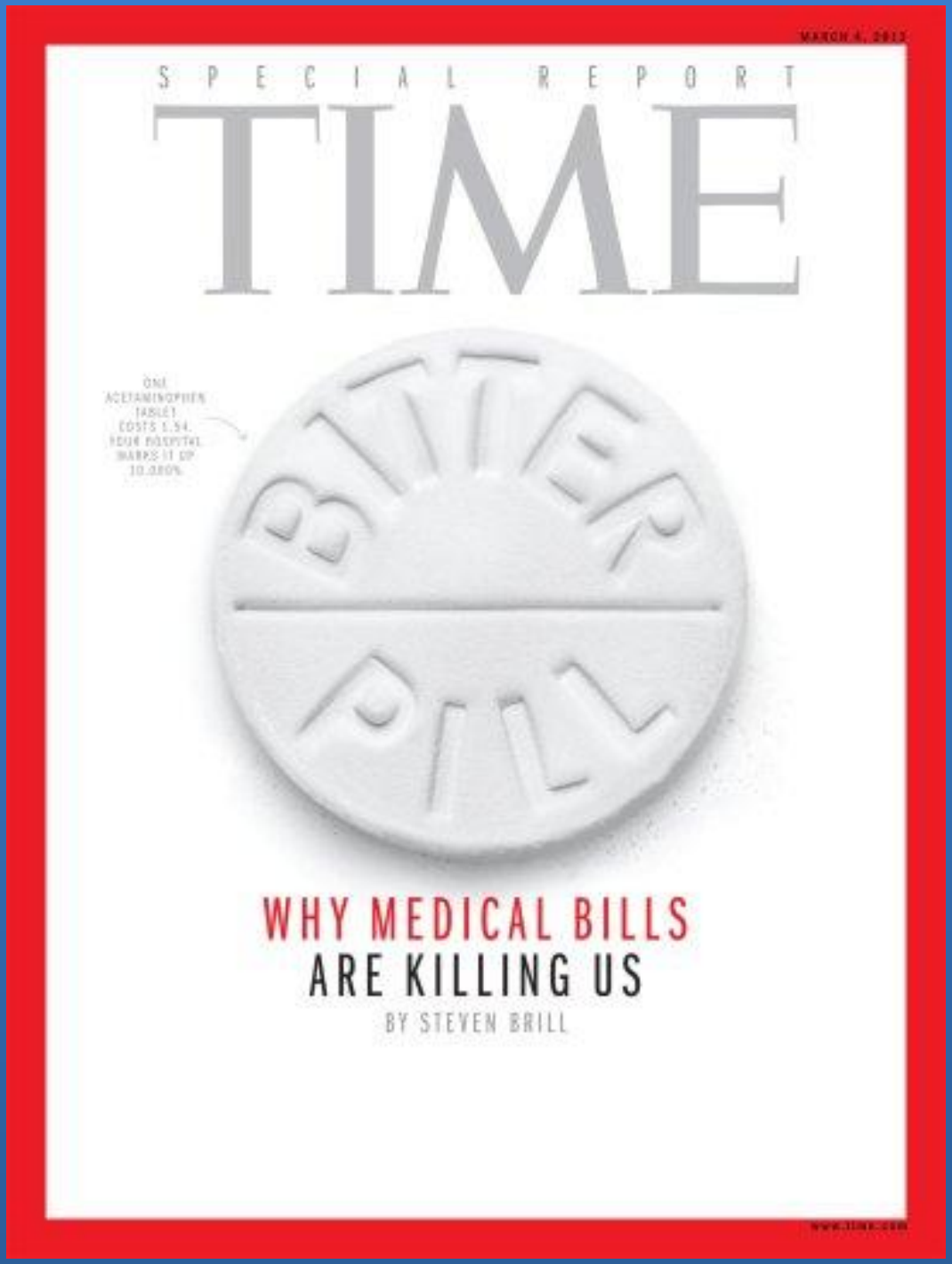
What percent of cost do current and future payor types cover?

How many lives will shift?

How does utilization change by payor type?

How does ACA affect patient out of pocket?

What dynamics will change related to payment and coverage at time of service?



South Carolina Health & Human Services

"When we debate health care policy, we seem to jump right to the issue of who should pay the bills, blowing past what should be the first question: ***Why exactly are the bills so high?***

"the American health care market has transformed tax-exempt 'nonprofit' hospitals into the towns' most profitable businesses…"

"the health-care-industrial complex spends more than three times what the military-industrial complex spends in Washington"

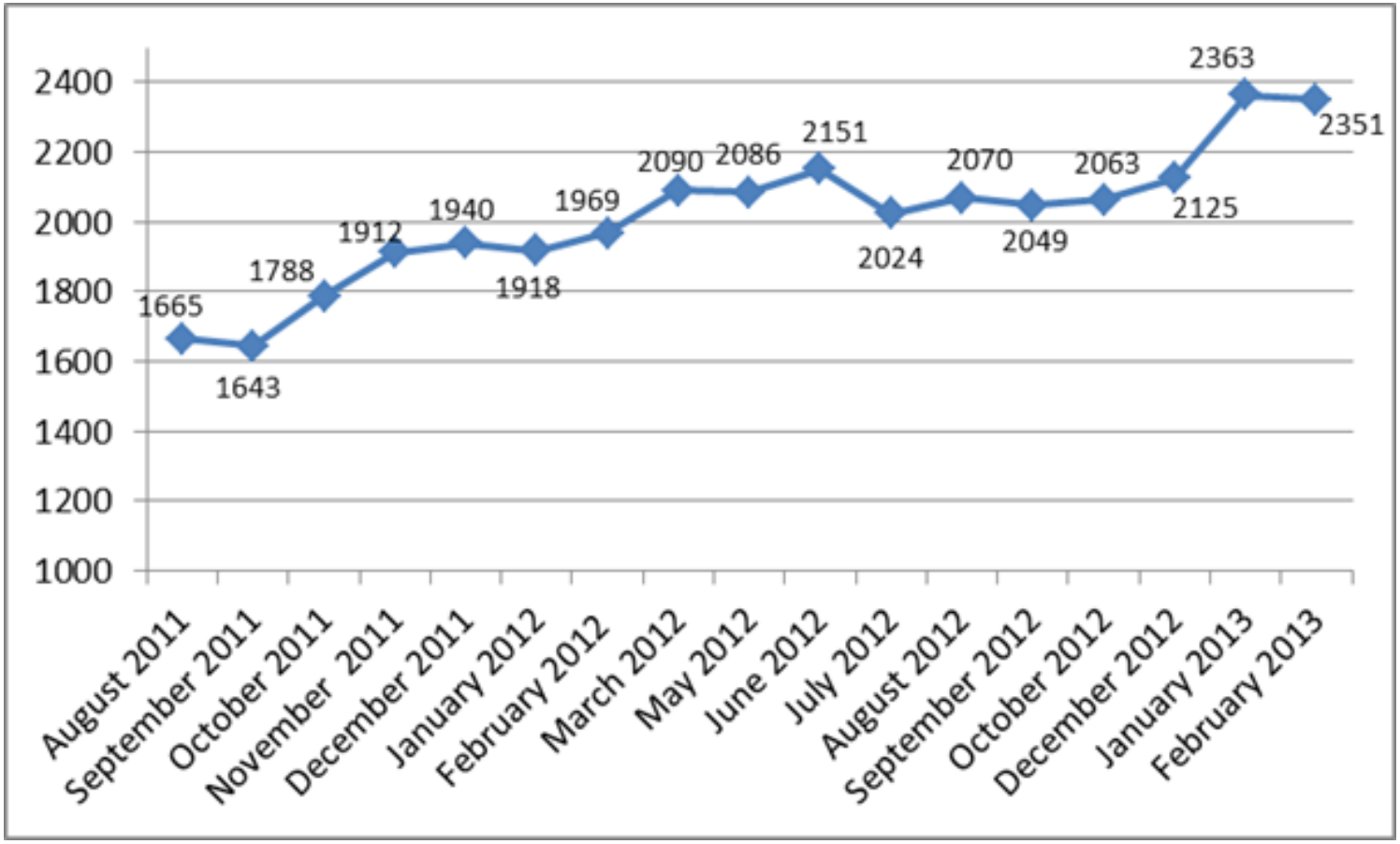
"the bills they churn out dominate the nation's economy and put demands on taxpayers to a degree unequaled anywhere else on earth"

SC Hospitals Profitability 2008-2011

Category	Top (12)	Small Rural (19)
Bed Days	6,047,417	544,225
Profit (Loss)	$1,298,270,722	($25,605,551)

Hospitals Hiring Suggests Good Times

SC Hospital Job Postings, August 2011-February 2013



Current Medicaid needs $2.4B more 2014-2020
Expanding costs an additional $613M to $1.9B

South Carolina Health & Human Services

Projected Enrollment Growth				
Population		**FY 2013**	**SFY 2014**	**FY 2020**
Current Programs				
	Medicaid	938,000	985,000	1,077,000
	CHIP	70,000	74,000	80,000
Total Current Programs		**1,008,000**	**1,059,000**	**1,157,000**
After ACA - 67% Average Participation				
Expansion Population (Newly Eligible)				
	Uninsured Parents/Childless Adults		252,000	267,000
	Currently Insured Parents/Childless Adults		92,000	98,000
	SSI		7,000	8,000
Eligible but Unenrolled in Medicaid*				
	Currently Insured Children/Parents		101,000	107,000
	Uninsured Children		13,000	14,000
	Uninsured Parents		48,000	51,000
Total Expansion from ACA Participants			**513,000**	**545,000**
Total Medicaid Population After ACA		**1,008,000**	**1,572,000**	**1,702,000**

* Estimates indicate that 162,000 people currently eligible but unenrolled will enroll in Medicaid even without the Medicaid expansion

Source: Milliman ACA Impact Analysis

Without Medicaid expansion:

- 101,000 may drop private insurance
- 162,000 currently eligible but unenrolled will join Medicaid.

With Medicaid Expansion:

- *193,000 could drop private insurance to go on Medicaid*
- *344,000 people will become newly eligible for Medicaid*

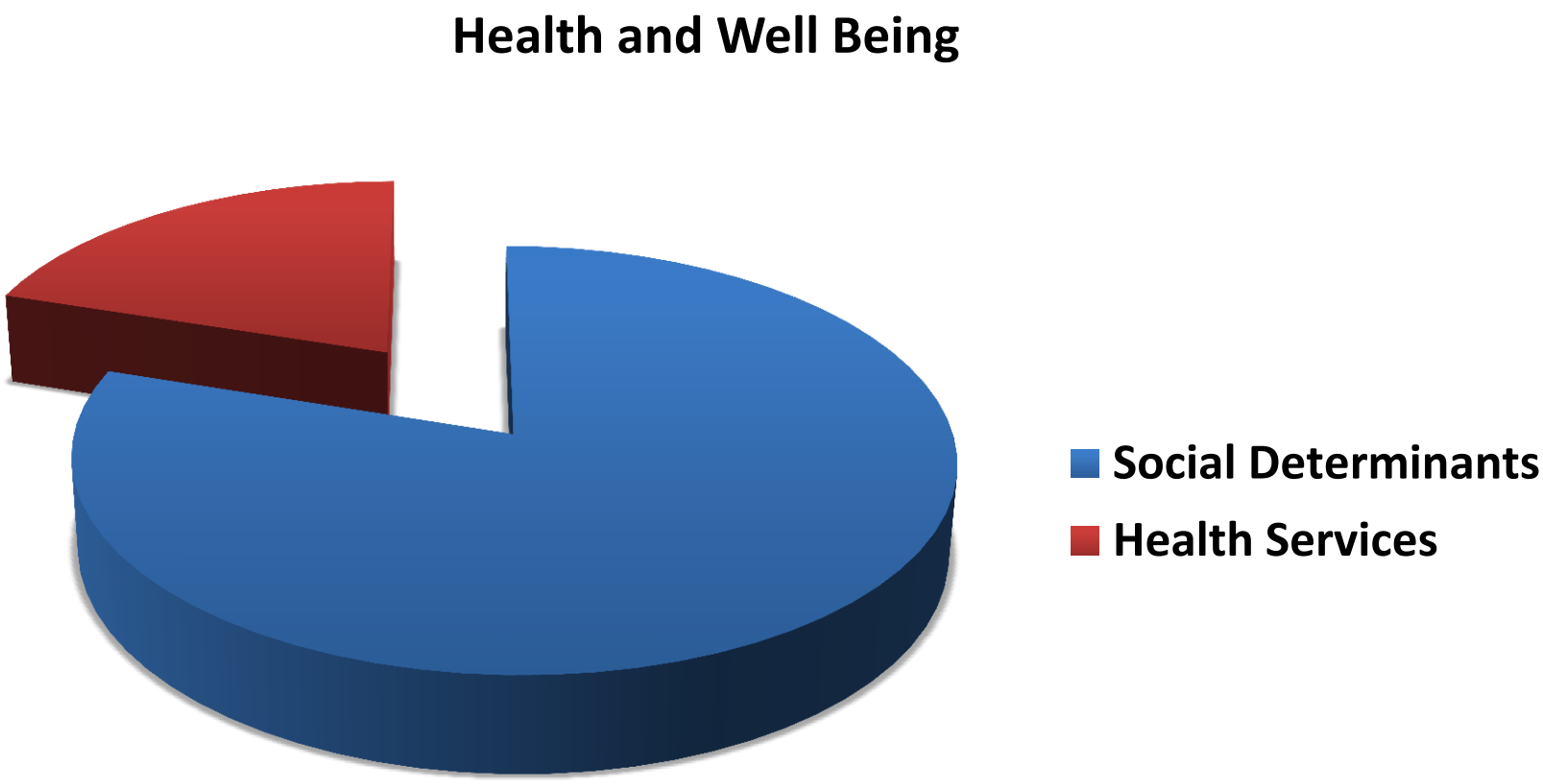
ACA Supporters Mistaken Logic

Health Insurance

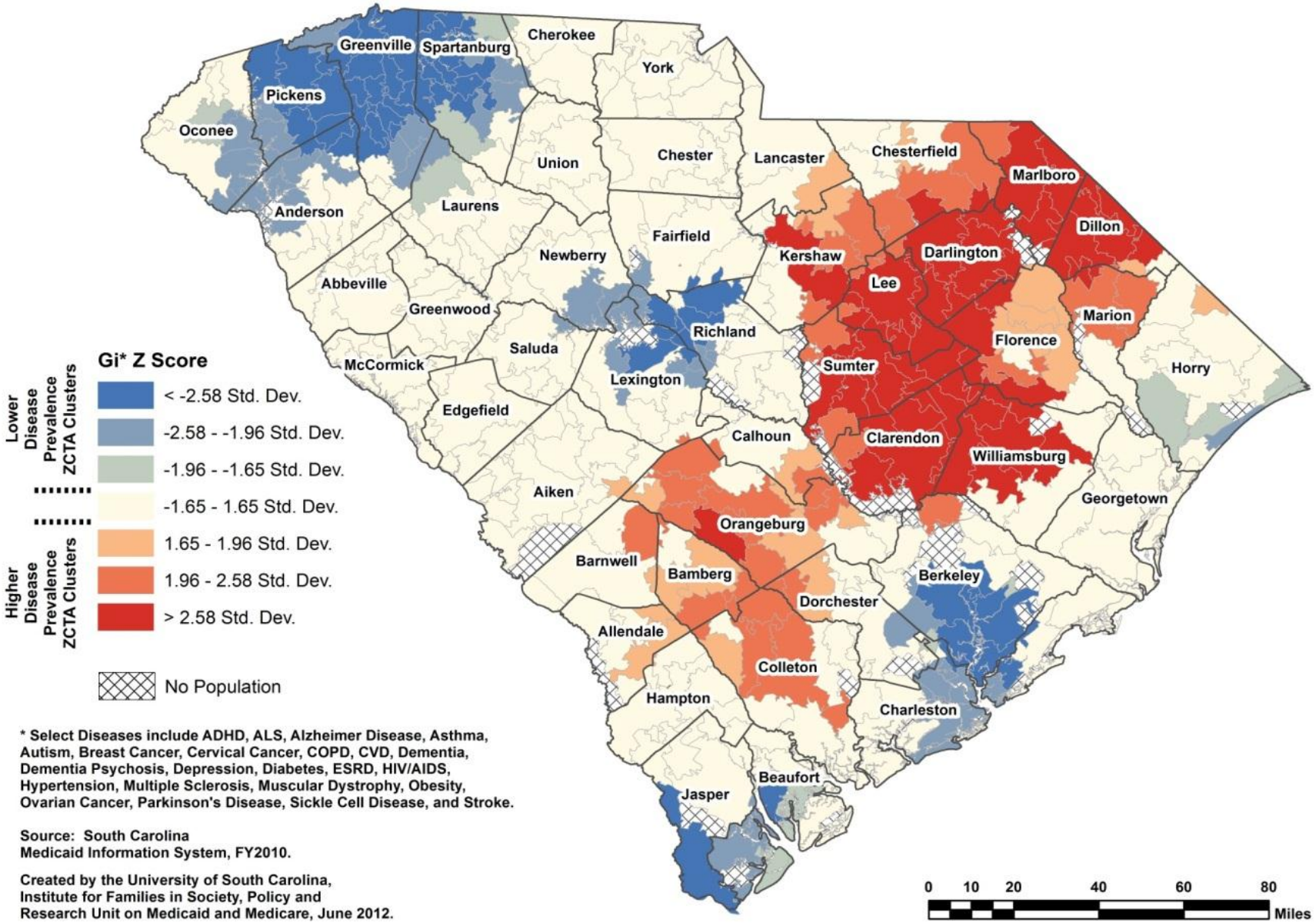
Health Services

Health & Well Being

The Reality


Health and Well Being
Social Determinants
Health Services

Prevalence of Select Diseases* among South Carolina Medicaid Recipients 19 Years and Older by ZCTA, FY 2010 Getis-Ord Gi* Statistic (Hot Spot Analysis)



* Select Diseases include ADHD, ALS, Alzheimer Disease, Asthma, Autism, Breast Cancer, Cervical Cancer, COPD, CVD, Dementia, Dementia Psychosis, Depression, Diabetes, ESRD, HIV/AIDS, Hypertension, Multiple Sclerosis, Muscular Dystrophy, Obesity, Ovarian Cancer, Parkinson's Disease, Sickle Cell Disease, and Stroke.

Source: South Carolina Medicaid Information System, FY2010.

Created by the University of South Carolina, Institute for Families in Society, Policy and Research Unit on Medicaid and Medicare, June 2012.

Our health care system is not performing

- "We found that female mortality rates ***increased*** in 42.8% of counties…"

- "…***none*** of the medical care factors – such as rates of primary care providers or preventable hospitalizations or percentage of uninsured – predicted changes in male [and female] mortality…"

Kindig and Cheng, Health Affairs, March 2013

What are we paying for in SC Medicaid?

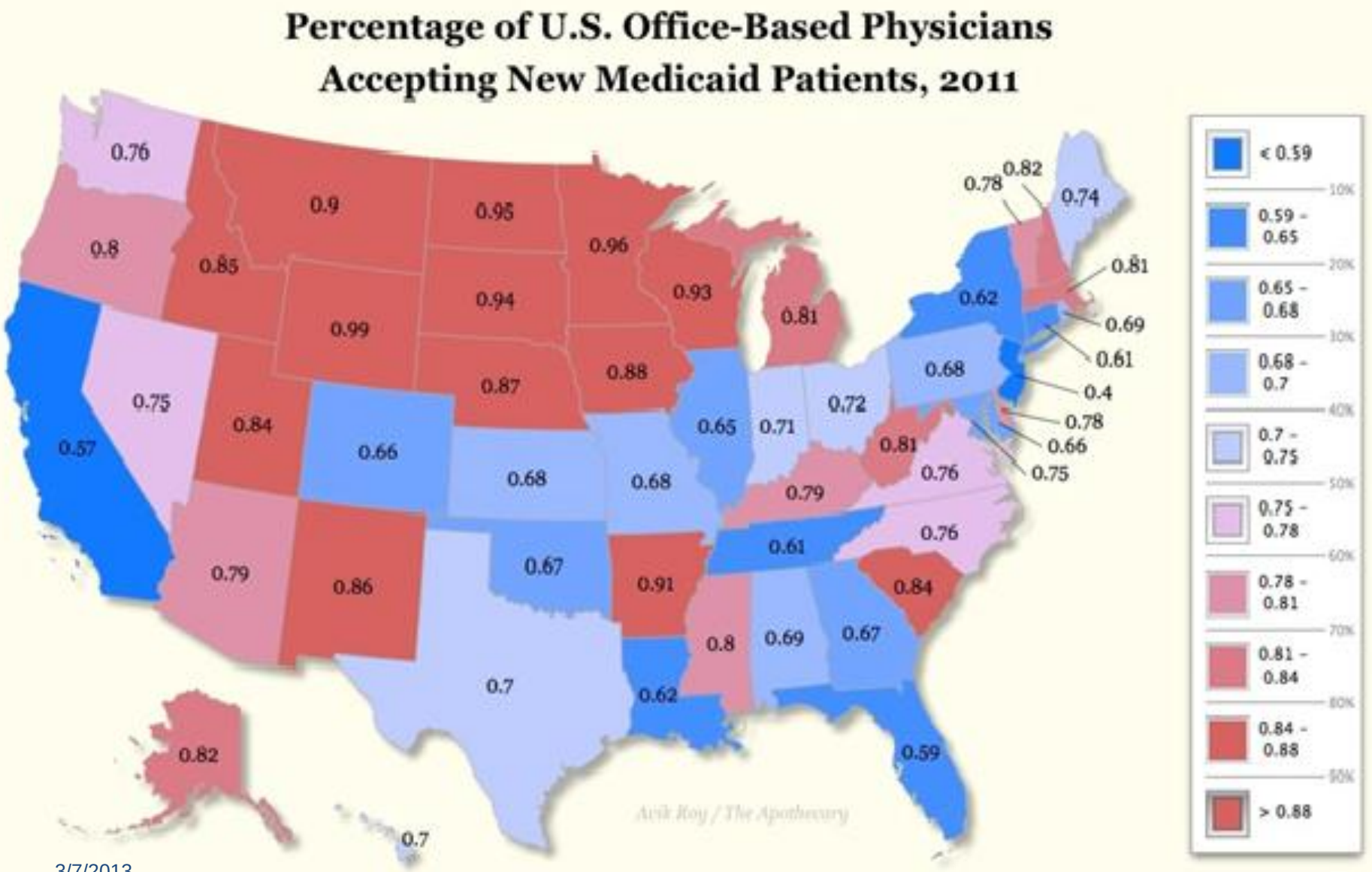
South Carolina Health & Human Services

Percentage of Eligible Medicaid Beneficiaries Meeting Standard				
Measure	**FFS**	**State Avg**	**Best Plan**	**NCQA Mean**
Adolescent Well Care Visits	8.1	24.3	36.0	48.1
Lead Screening in Children	40.9	46.2	55.6	66.2
Breast Cancer Screening	28.5	43.3	53.9	51.3
Diabetic Eye Exams	10.5	27.1	41.5	53.1

* Source: CY 2011 SC Medicaid HC Performance Repot

Percentage of US Office-Based Physicians Accepting New Medicaid Patients

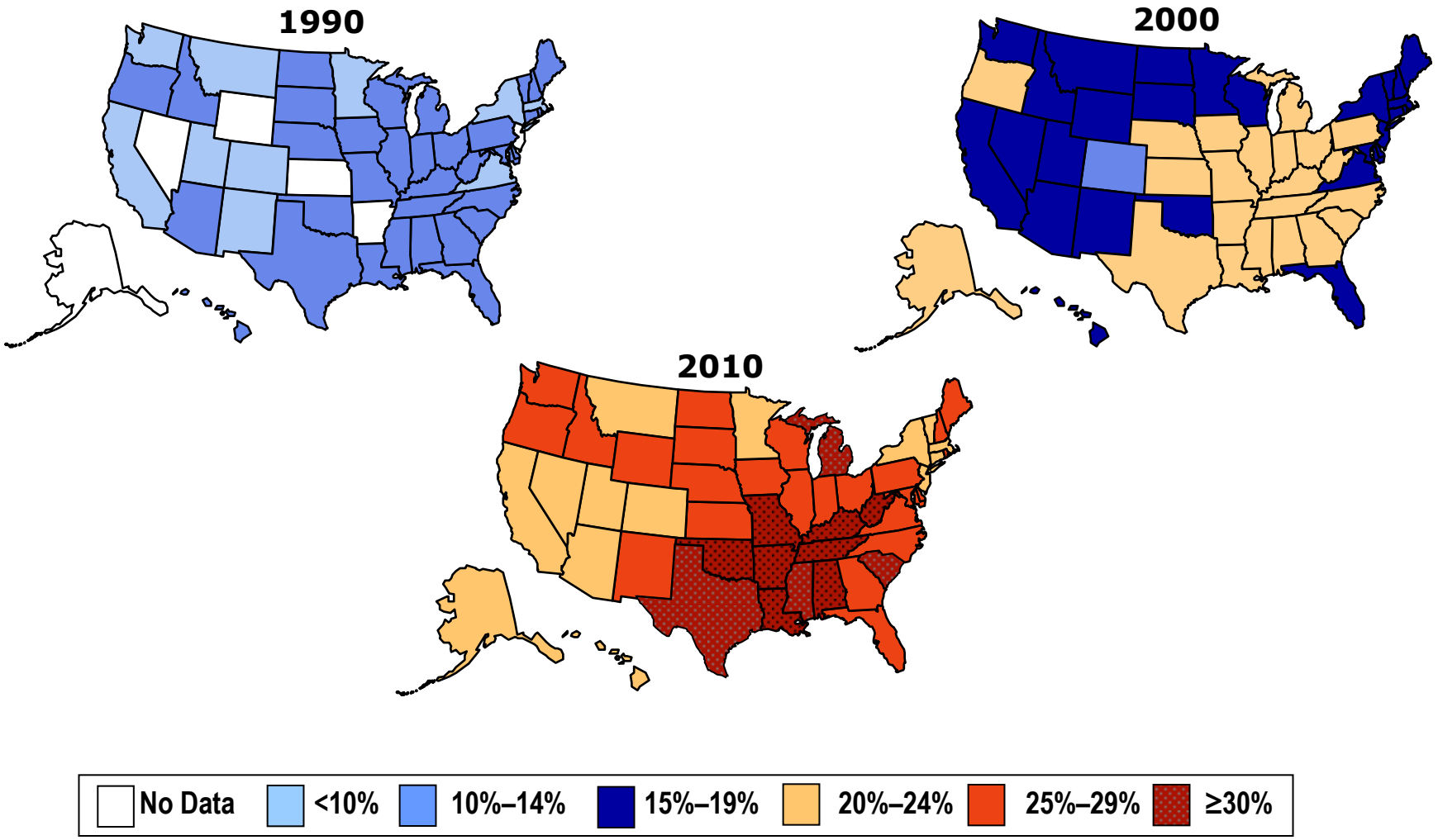
South Carolina Health & Human Services



Obesity Trends* Among U.S. Adults

BRFSS, 1990, 2000, 2010

(*BMI ≥30, or about 30 lbs. overweight for 5'4" person)



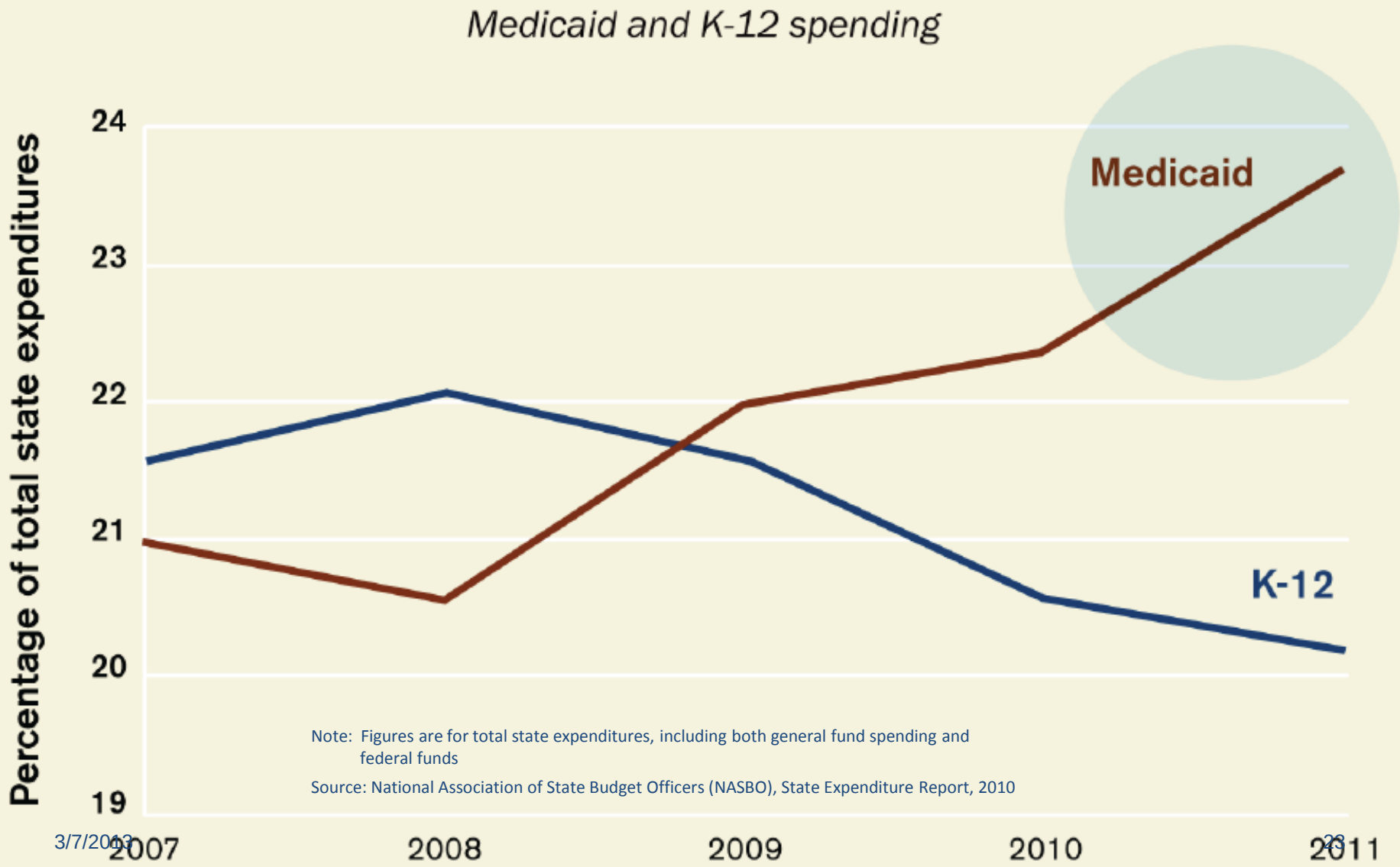
Social Determinants Matter

- “Many people believe that medical care and individual behaviors…are the primary reasons for the declines in health.”
- “But socioeconomic factors such as the percentage of a county’s population with a college education and the rate of children living in poverty had equally strong or stronger relationships to…mortality rates”

Kindig and Cheng, Health Affairs, March 2013

Total State Spending on Medicaid Now Surpasses K-12 Education

South Carolina Health & Human Services



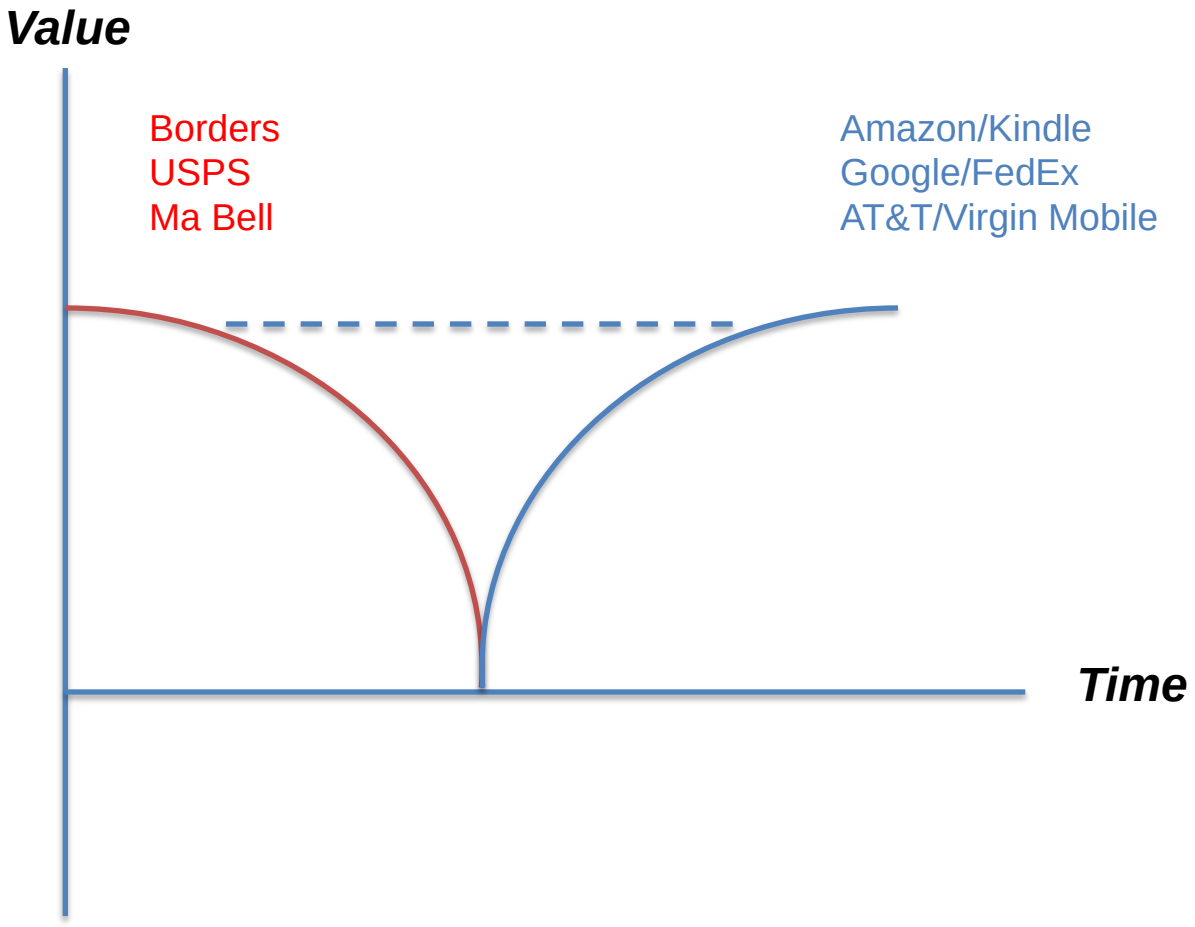
A “robust” strategy is necessary

- “Such a strategy would include redirecting savings from reductions in health care inefficiency and increasing the health promoting impact of policies in other sectors such as housing and education”
- “Each county…needs to examine it outcomes and determinants of health to determine what ***cross-sectoral policies*** would address its own situation most effectively and quickly”

Kindig and Cheng, Health Affairs, March 2013

Health care business model must change

South Carolina Health & Human Services



Move from fee-for-service that drives market share growth and utilization to population management

Transparency in pricing and outcomes for consumers to make better decisions

Remove barriers to competition at all levels

Focus on total costs which requires clinical integration and more focus on social determinants

Consumer must share more cost – we are overinsured and too separated from the consequences of our actions

DHHS Strategic Pillars

South Carolina Health & Human Services

Payment Reform
- MCO Incentives & Withholds
- Payor-Provider Partnerships
- Catalyst for Payment Reform
- Value Based Insurance Design

Clinical Integration
- Dual Eligible Project
- Patient Centered Medical Homes
- Telemedicine/Monitoring

Hotspots & Disparities
- Birth Outcomes Initiative
- Express Lane Eligibility
- Foster Care Coordination
- Health Access/Right Time (HeART)

Improve value by lowering costs and improving outcomes:

Increased investment in education, infrastructure and economic growth

Shift of health care spending to more productive health and health care services

Increased coverage/treatment of vulnerable populations

A Path Forward

South Carolina Health & Human Services

- Continue working on improving value in the health system
  - Set performance expectations
  - Strengthen core programs
- Manage and measure enrollment growth and shifts under ACA
- Invest in health hotpots and building capacity
- Apply for flexibility in 2017 when ACA waivers are available

The amount of implementation risk is significant

Just expanding coverage does not mean meaningful connection will be made between providers and patients

Projection risk is very high

A conservative budgeting approach is imperative

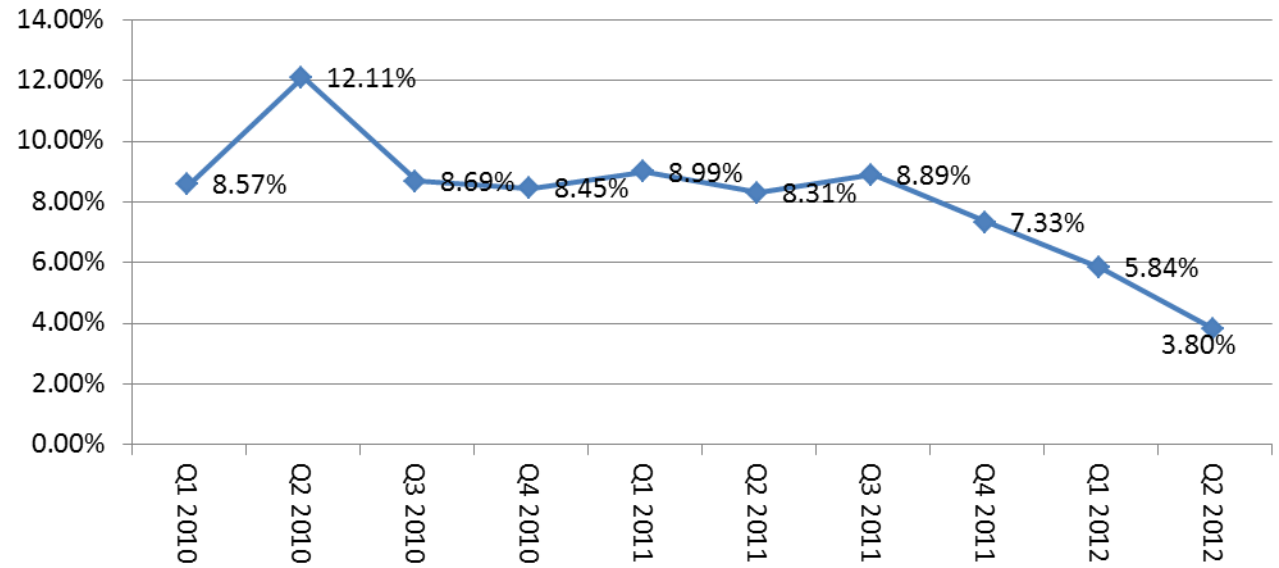
Self-funded Alternatives to Obamacare

- ***Hospital Accountability***
  - ***$50m in annual incentive payments***
  - ***Required to participate in cost transparency program***
  - ***Must co-manage high flyers with FQHCs***
  - ***Claims must be submitted for uninsured***
  - ***Access to affordable insurance status must be determined***
- ***Rural Hospital Stabilization***
  - ***100% payment of UCC for small rural hospitals***
  - ***All requirement above***
  - ***Partnership incentives***
- ***FQHCs/RHC/Free Clinics***
  - ***Stabilization funding***
  - ***Co-management of high flyers in ER***
- ***Capacity building and access***
  - ***Telemedicine investment at MUSC***
  - ***New accountability for all GME funding***
  - ***MUSC OB coverage in underserved areas with high infant mortality***
- ***Community-based services***
  - ***New level of care in assisted living centers with higher reimbursement***
  - ***Higher standards of performance for all CRCF***

Birth Outcomes Initiative: Cost Savings

South Carolina Health & Human Services

Medicaid Rates with Documented Elective Inductions as a Subset of the =>37 to <39 Weeks Delivery



In July 2011, SCDHHS implemented a series of birth outcome initiatives to reduce the number of elective inductions and cesarean deliveries, as well as NICU hospital stays

Projected Q1 FY 2013 cesarean deliveries was 2,532; actual for Q1 FY 2013 was 1,944

Projected Q1 FY 2013 total NICU admits was 624; actual for Q1 FY 2013 was 443

These efforts resulted in savings of $6 million for first quarter FY 2013

Ideas for systemically reducing health care costs

- *Move from fee-for-service that drives market share growth and utilization to population management*
- *Transparency in pricing and outcomes for consumers to make better decisions*
- *Remove barriers to competition at all levels*
- *Focus on total costs which requires clinical integration and more focus on social determinants*
- *Consumer must share more cost – we are overinsured and too separated from the consequences of our actions*

- *Medicaid budgeting*
  - *Biennial budgeting*
  - *Growth cap tied to economic performance*
- *Remove barriers to competition*
  - *Eliminate CON*
  - *Remove restrictions to scope of practice not based on evidence*
- *Transparency*
  - *Require quotes for medical procedures above a certain dollar amount*
- *Personal Responsibility*
  - *Limit state expenditures on the uninsured to individuals with demonstrated need*
- *Administrative waste reduction*
  - *Universal pharmacy prior authorization form*
- *Tort reform*

Additional Slides

How Will the Market Change with ACA's Optional Medicaid Expansion?

South Carolina Health & Human Services

Category	Current Market	2014 No Expansion	2014 100% FPL Expansion	2014 133% FPL Expansion
Uninsured	731,000	210,000	42,000	42,000
Medicaid	1,059,000	1,228,000	1,438,000	1,572,000
Private Market	2,439,000	2,358,000	2,316,000	2,266,000
Exchange	0	433,000	433,000	349,000
Total	**4,229,000**	**4,229,000**	**4,229,000**	**4,229,000**

Source: 2011 American Communities Survey, projected to 2014 Medicare coverage is not affected by the ACA and is not reflected above.

Significant growth will occur in the number of insured adults in both the Medicaid and private market

71 percent (521,000) of South Carolina's uninsured are projected to gain access to affordable health insurance even without Medicaid expansion

This will inject significant new revenue into the health care system

DSH payments for Uncompensated Care

South Carolina Health & Human Services

- DSH pays hospitals for the cost of uncompensated care (UCC). This year DHHS will pay $461.5 million in DSH which covers about 57% of UCC.
- Even without Medicaid expansion the number of uninsured will decrease as coverage from federal health insurance exchanges and Medicaid grows, ***so not as much DSH will be needed in the future.***
- DSH is just one type of hospital payment. If a limit is placed on how much federal money can be spent on DSH, the state can simply shift its matching dollars to other types of hospital payment.

Federal reductions under ACA do not begin until 2017

The executive budget for SFY 2014 doesn't reduce DSH payments

This results in extra payments to hospitals and provides transition funds the hospitals requested

The Governor has committed to reimbursing rural hospitals 100% of uncompensated care

The Taxes Leaving South Carolina Argument is Overstated

South Carolina Health & Human Services

- Several hundred billion dollars of new taxes were passed to fund the ACA
- Some argue that none of this will return if we don't expand. This is untrue:
  - An additional 0.9 percent Medicare tax on high income earners ($200k single/$250 married) will go to the Medicare trust fund and **will return** since there are no changes to Medicare enrollment
  - An additional 3.8 percent investment income tax on high income earners ($200k single/$250k married) goes into the federal treasury. It may be used to reduce federal deficits or **return to SC** through military spending, education, infrastructure, etc., not exclusively health care
  - 71% (521,000) of SC's uninsured are projected to gain access to affordable health insurance coverage under federal exchanges and through growth in the current Medicaid program. These populations will be generously subsidized through federal tax credits or our current FMAP **so the revenue will return**

Even with these taxes, federal spending will still run a deficit. The CBO only projects a shrinking of the federal deficit due to ACA – not an elimination

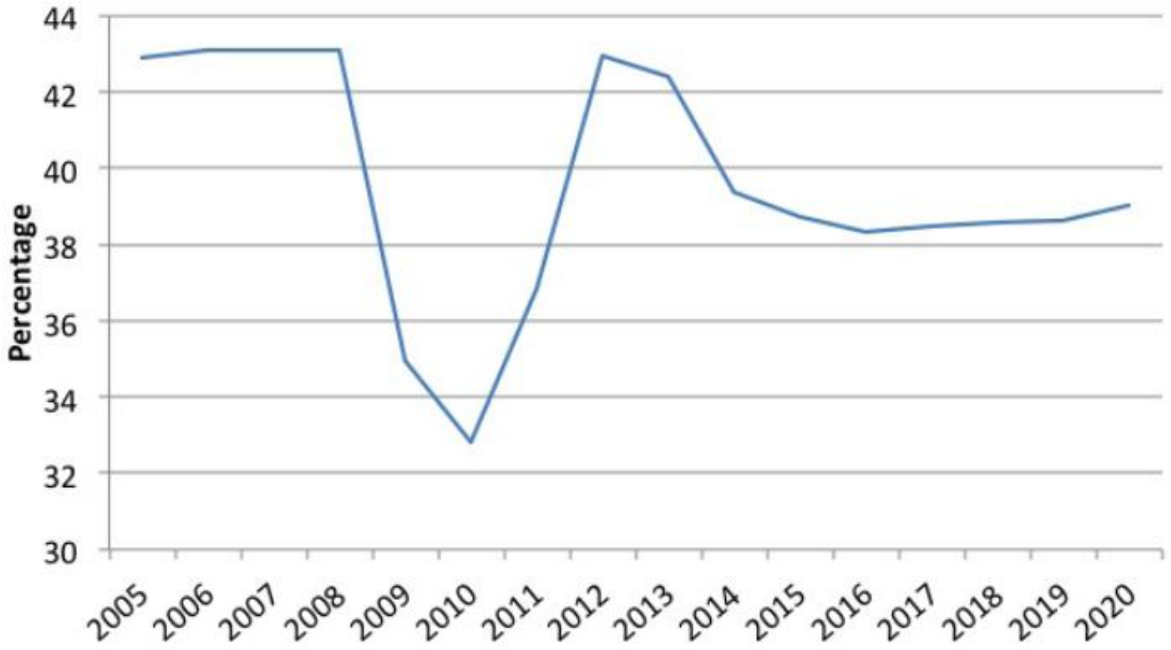
The CMS actuary believes it is unlikely that the Medicare reimbursement reductions will happen as planned requiring cuts elsewhere (like Medicaid)

The federal government looks ready to raise taxes even further in next few months to help pay for deficits – not spending

Medicaid Costs to States

South Carolina Health & Human Services

State Share of Total Medicaid Expenses



Source: Centers for Medicare and Medicaid Services, 2011 Actuarial Report

"If states participate in the ACA's full Medicaid expansion, the long-term share of federal support is projected to be 61%, with states picking up the other 39%, assuming that the federal government does not retreat from the ACA's generous FMAP rates."

-Charles Blahous, Mercatus Center at George Mason University, March 2013

SCHA Jobs Report

South Carolina Health & Human Services

- Harvard economist Katherine Baicker – who has conducted studies showing Medicaid improves health – also writes in an article ***The Health Care Jobs Fallacy***:
  - "…this focus on health care jobs is misguided."
  - "Salaries for health care jobs are not manufactured out of thin air – they are produced by someone paying higher taxes, a patient paying more for health care, or an employee taking home lower wages..."
  - "Additional health care jobs leave Americans with less money to devote to college tuition and mortgage payments, and the US government with less money to perform all other governmental functions."

USC performed a similar analysis in 2011. SCHA argued Medicaid cuts would cost 5,452 jobs

After the cuts health-care jobs in South Carolina *increased 7,200* from 153,400 in April/12 to 160,600 in Oct./12 (DEW)

Georgetown University projects health care jobs will grow by 5.6 million *with or without Obamacare*

SCHA Jobs Report

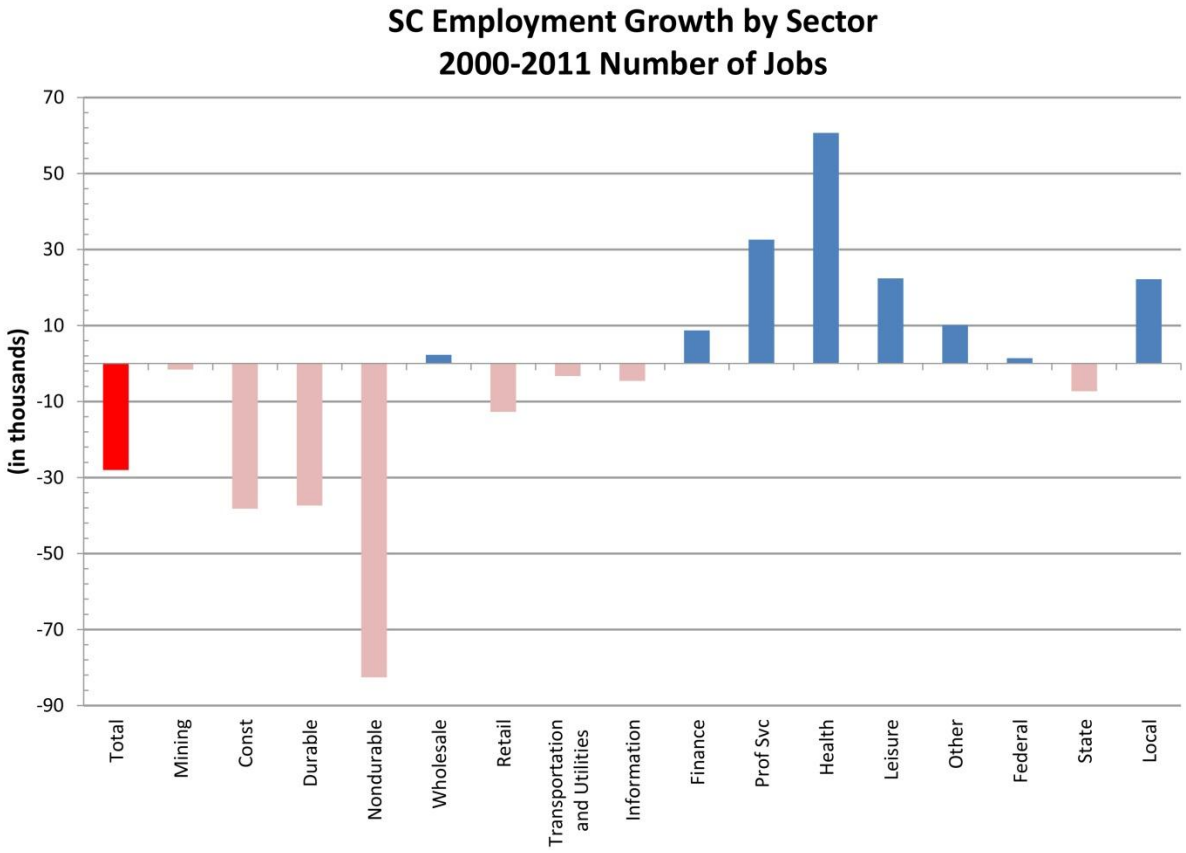
South Carolina Health & Human Services

- Impact analysis generally ignore constraints on the labor market (such as physician and nurse shortages). Their job growth is theoretical.
- Impact analysis ignore the fact that jobs created in the analysis could have been created elsewhere, and in fact compete, in other sectors (such as transportation)
- Impact analysis assume that the market under analysis is operating at the desirable efficiency, which health care clearly is not.

- **The report double counted several hundred million dollars of annual spending on the uninsured considering it "out of scope".**
- **The report did no sensitivity analysis considering it "out of scope".**
- **The report considered labor constraints in SC "out of scope".**

Organic Growth In Health Care is Depressing Other Sectors

South Carolina Health & Human Services



Source: Board of Economic Advisors (BEA)

According to South Carolina's BEA, from 2000-2011, growth in health jobs was about twice the number of the second sector (Professional Services)

The health sector grew by more than 60,000 jobs during that time, while more than half the sectors had negative job numbers growth

After the cuts, health care jobs in SC increased several thousand from 153,400 in April '12 to 160,600 in Oct. '12

The Health Care Jobs Fallacy: ACA Expansion as Economic Development?

South Carolina Health & Human Services

Will Medicaid Expansion Create that Many Jobs?

"For the average state, failure to account for the exchange subsidies means that estimated job gains from Medicaid expansion are overstated … Failure to account for job losses associated with taxes required to cover state matching funds for the expansion means that job gains are overstated"

– Chris Conover, Forbes, February 2013

Are Health Care Jobs the Most Efficient Investment?

"Between 1990 and 2011, labor productivity in health care fell. After education, personal services and construction, health care showed the least growth over time."

– Georgetown University, June 2012

Is ACA's Health Care Stimulus a Viable Economic Development Strategy?

"Treating the health care system like a (wildly inefficient) jobs program conflicts directly with the goal of ensuring that all Americans have access to care at an affordable price."

– New England journal of Medicine, June 2012

Putting substantial more money into Medicaid will increase jobs, but at what cost?

Are these jobs the most efficient investment?

The Uninsured in SC

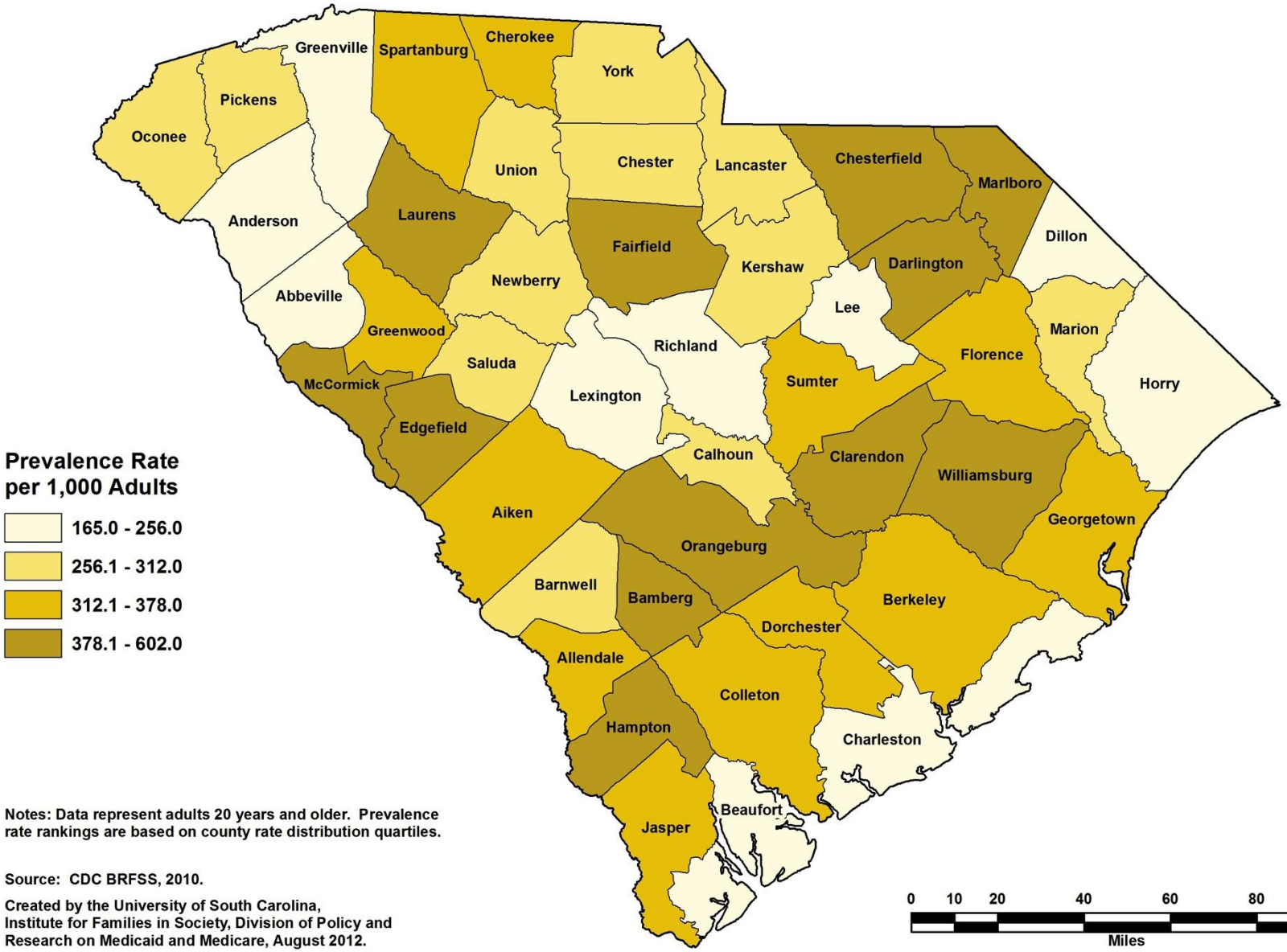
South Carolina Health & Human Services

ACA's optional Medicaid expansion would cover up to 138% FPL

FPL	<100% FPL	100% FPL to 138% FPL	139% FPL to 200% FPL	201% FPL to 399% FPL	>400% FPL
2012 Annual Income - Family of 4	<$23,050	$23,051 to $31,809	$31,810 to $46,100	$46,101 to $69,150	>$69,150
Uninsured	284,000	106,000	131,000	127,000	83,000
% of Uninsured	39%	15%	18%	17%	11%

* Source: 2011 American Communities Survey, projected to 2014

Prevalence of Obesity Among All South Carolina Adults by County



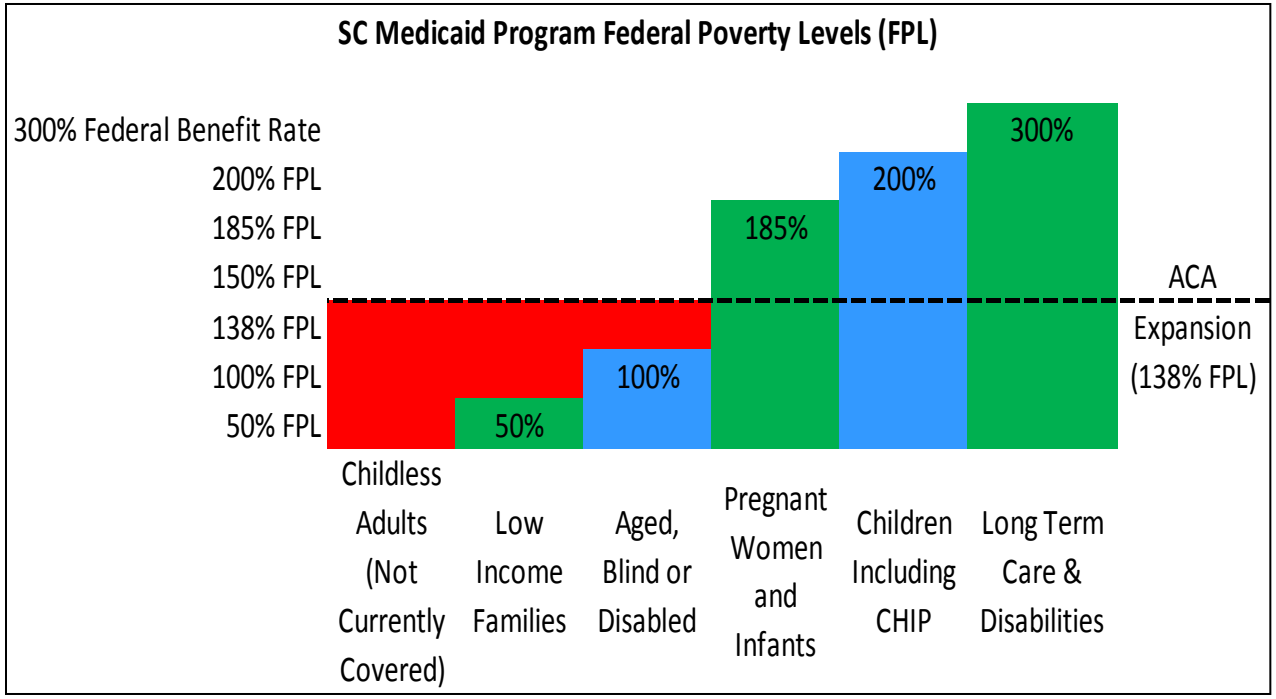
Notes: Data represent adults 20 years and older. Prevalence rate rankings are based on county rate distribution quartiles.

Source: CDC BRFSS, 2010.

Created by the University of South Carolina, Institute for Families in Society, Division of Policy and Research on Medicaid and Medicare, August 2012.

Medicaid Expansion in SC: 513,000 New Enrollees by 2015

South Carolina Health & Human Services



Without Medicaid expansion:

- **101,000 may drop private insurance**
- **162,000 currently eligible but unenrolled will join Medicaid (Welcome Mat effect)**

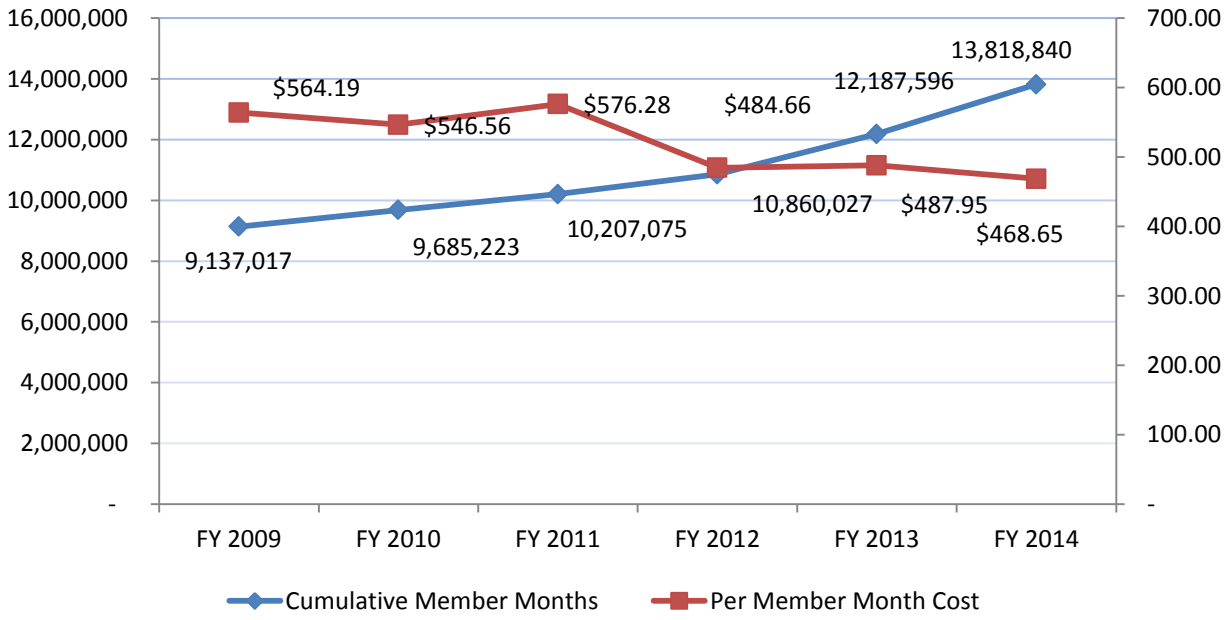
With Medicaid Expansion:

- ***193,000 could drop private insurance to go on Medicaid***
- ***344,000 people will become newly eligible for Medicaid***

Expenditure Driver History

South Carolina Health & Human Services

Comparison of Cumulative Member Months to Costs



Source: Milliman Spring 2012 Forecast and Department budget documents

Cumulative member months are currently projected to grow 46% from FY 2009 to budgeted FY 2014

PMPM is currently projected to decline 14% from FY 2009 to budgeted FY 2014

Enrollment growth currently is our major expenditure driver

Current Medicaid needs $2.4B more 2014-2020
Expanding costs an additional $613M to $1.9B

South Carolina Health & Human Services

November 2012 Medicaid Expansion Projections SFY 2014 to 2020 (in $ millions) - State Expenditures				
Category	**Without Expansion - Woodwork Effect (Best Estimate Participation)**	**Partial Expansion to 100% FPL (Best Estimate Participation)**	**Full Expansion to 138% FPL (Best Estimate Participation)**	**Full Expansion to 138% FPL (100% Participation)**
Pre-ACA : Expected Program Growth	**$2,071.3**	**$2,071.3**	**$2,071.3**	**$2,071.3**
ACA Impact to Current Program				
Pharmacy Rebate Savings – MCO	**($477.3)**	**($477.3)**	**($477.3)**	**($477.3)**
DSH Payment Reduction	**($166.6)**	**($166.6)**	**($166.6)**	**($166.6)**
CHIP Program – Enhanced FMAP	**($128.6)**	**($128.6)**	**($128.6)**	**($189.9)**
ACA Impact - Currently Eligible				
Eligible but Not Enrolled - Uninsured	**$520.5**	**$520.5**	**$520.5**	**$746.6**
Eligible but Not Enrolled - Currently Insured	**$476.4**	**$476.4**	**$476.4**	**$790.3**
CHIP Program – Enhanced FMAP	**($66.3)**	**($66.3)**	**($66.3)**	**($97.9)**
ACA Impact - Expansion Population				
Expansion Population - Uninsured	**$0.0**	**$220.4**	**$330.3**	**$407.9**
Expansion Population - Currently Insured	**$0.0**	**$55.0**	**$120.6**	**$215.2**
SSI Eligible	**$0.0**	**$14.8**	**$14.8**	**$14.8**
Health Insurer Assessment Fee	**$138.0**	**$145.5**	**$149.7**	**$164.4**
Physician Fee Schedule Change	**$3.5**	**$3.5**	**$3.5**	**$3.6**
Expenditure Shift from Other State Agencies	**$0.0**	**$2.1**	**$3.5**	**$4.8**
Administrative Expenses	**$61.1**	**$142.9**	**$193.4**	**$285.5**
Sub-total	**$360.7**	**$742.3**	**$973.9**	**$1,701.4**
Non-Medicaid Other State Agency Offsets	**$0.0**	**($26.8)**	**($43.7)**	**($61.4)**
Sensitivity - Increase Physician Reimbursement to 100% Medicare	**$0.0**	**$610.5**	**$620.8**	**$665.1**
Sub-total	**$360.7**	**$1,326.0**	**$1,551.0**	**$2,305.1**
Post-ACA : Expected Program Growth	**$2,432.0**	**$3,397.3**	**$3,622.3**	**$4,376.4**

Source: Milliman ACA Impact Analysis

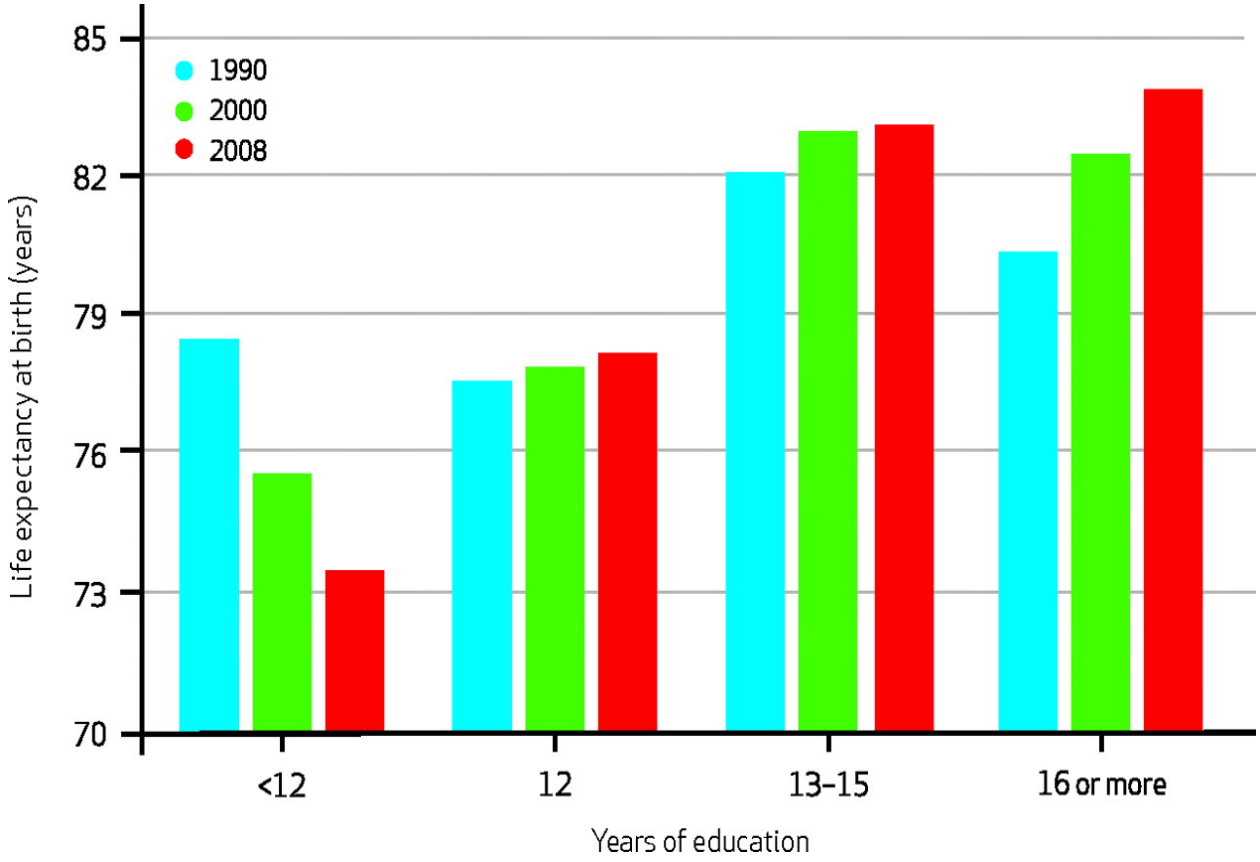
Triple Aim

- Reduce the per capita cost of health care
- Improve the health of populations
- Improve the patient experience (quality and satisfaction)

US is Falling Behind in Life Expectancy

South Carolina Health & Human Services

Life expectancy for white women by years of education



In 1950 US life expectancy ranked 12th at 68.9 years

In 2009 the US ranked 28th at 79.2 years

South Carolina ranked 42nd in US in 2007 at 76.6 years

Disturbing disparities exist and for certain groups life expectancy has actually fallen in the past 2 decades

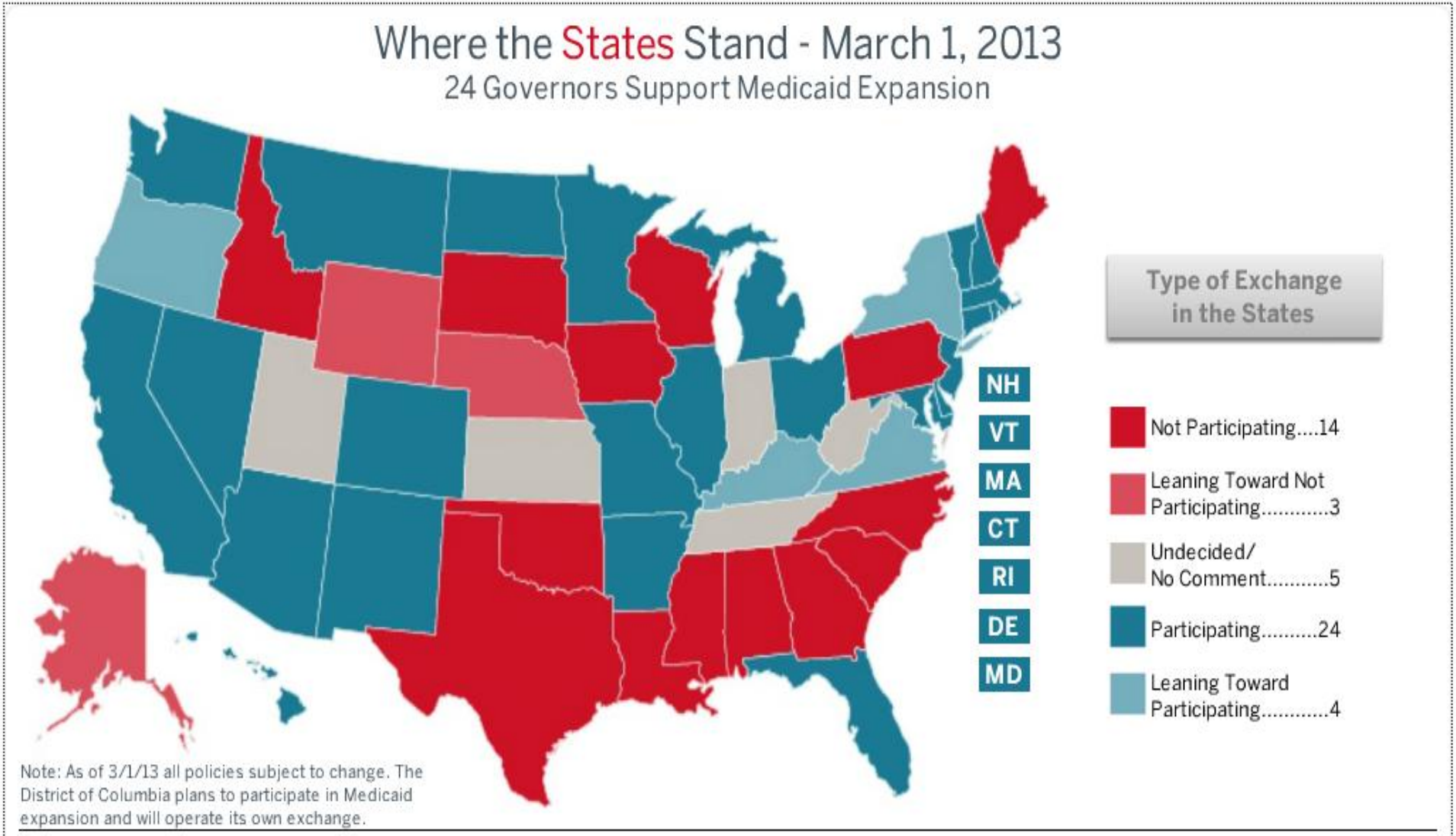
The Expansion Disconnect: Affordability and Access Issues

South Carolina Health & Human Services

	Pursuing ACA Medicaid Expansion?	Sustaining Current Medicaid Program?	Physicians Currently Accepting Medicaid?
California	Yes	The Hill-Healthwatch (10/27/2011) Obama administration approves massive Medicaid cuts requested by California	57%
Connecticut	Yes	Hartford Courant (11/19/2012) Expanded Medical Coverage Large Part of State Shortfall	61%
Illinois	Yes	Becker's Hospital Review (7/8/2011) Quinn-Backed Budget Means 5-Month Delay in Illinois Medicaid Payments	65%
New Jersey	Yes	Bloomberg (1/9/2011) Christie Targets Medicaid to Close $10.5 Billion New Jersey Budget Deficit	40%
New York	Yes	Rochester Business Journal (3/4/2013) Medicaid cuts will hurt non-profits serving people with disabilities	62%

States' Participation in Medicaid Expansion

South Carolina Health & Human Services



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